

**House Resolution**

**No. 49**

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**Introduced by Assembly Member Jones-Sawyer**

August 4, 2014

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House Resolution No. 49—Relative to higher education.

1 WHEREAS, The Legislature recognizes that postsecondary  
2 education has expanded opportunities for Californians to qualify  
3 for high-quality jobs and entry into the middle class, providing  
4 clear benefits to this state’s economy; and

5 WHEREAS, In response to decreased state support, costs at the  
6 University of California (UC) and the California State University  
7 (CSU) have grown significantly over the past decade. In 2000, the  
8 total cost of a year of education at UC was \$15,000. By 2013, this  
9 figure had more than doubled to \$32,400. Costs at CSU are lower,  
10 but still increased by nearly 70 percent in this period. These  
11 increases far outpace inflation; and

12 WHEREAS, Tuition at California’s public institutions of higher  
13 education has been rising far more rapidly than family incomes.  
14 In 2000, the cost of attendance for a UC student living on campus  
15 was 25 percent of California’s median family income. In 2009,  
16 this cost had grown to 39 percent of median family income. Costs  
17 at CSU also grew relative to incomes, increasing from 19 percent  
18 of median family income in 2000 to 29 percent of median family  
19 income in 2009; and

20 WHEREAS, The increasing unaffordability of a college  
21 education has forced students to borrow more money to pay for  
22 higher education, causing 51 percent of students graduating from  
23 four-year institutions of higher education in California to borrow  
24 an average of \$18,879; and

1 WHEREAS, In the 1970s, the General Fund provided \$12 for  
2 every dollar that students paid in fees. By 2009, this amount had  
3 fallen to \$1.40 for every dollar in student fees; and

4 WHEREAS, High levels of student debt are damaging not only  
5 to an individual student's ability to succeed financially but also  
6 will have grave consequences for the future economy of this state;  
7 and

8 WHEREAS, As of spring 2011, only 83 percent of UC students  
9 and 51.4 percent of CSU students entering as freshmen had  
10 graduated within six years. For transfer students, only 79.6 percent  
11 of UC students and 64.6 percent of CSU students had graduated  
12 within four years; and

13 WHEREAS, By 2025, California is projected to have a shortage  
14 of 2.3 million college graduates in the state's workforce if the  
15 number of young and older adults who go to college and complete  
16 a higher education is not significantly increased; and

17 WHEREAS, The Legislature finds that it must halt the decrease  
18 in the state's support for public education and, over time, must  
19 increase its contribution to the funding of higher education; and

20 WHEREAS, The Legislature finds that it must immediately  
21 seek another approach to financing a student's share of the cost of  
22 higher education in the state that will not result in students  
23 graduating from California colleges and universities burdened with  
24 debt; and

25 WHEREAS, There is growing interest in a new financing  
26 strategy; and

27 WHEREAS, The Legislature recognizes that it is in this state's  
28 interest to study and recommend a potential pilot program; and

29 WHEREAS, It is the intent of the Legislature that revenue  
30 received from a Pay it Forward, Pay it Back pilot program would  
31 be managed by the state; and

32 WHEREAS, It is further the intent of the Legislature that a Pay  
33 it Forward, Pay it Back pilot program would not replace existing  
34 forms of financial aid, including grants, scholarships, and loans,  
35 but would instead serve as an additional option for students to  
36 finance their education; now, therefore, be it

37 *Resolved by the Assembly of the State of California*, That the  
38 Student Aid Commission and the Legislative Analyst are  
39 encouraged to conduct a study of the effects of enacting, in future  
40 legislation, a Pay it Forward, Pay it Back Pilot Program, with the

Legislative Analyst encouraged to be the lead agency in charge of preparing the study. The study should evaluate a pilot program designed to provide an additional option for students to finance the costs of their education, including the costs of upfront tuition, fees, and room and board, for enrollment at institutions of higher education; and be it further

*Resolved*, That the pilot program should allow a student who is a state resident, as determined by the respective institution, and who otherwise qualifies for admission to that institution, to enroll at the institution without paying upfront tuition, fees, or room and board and provide that, in lieu of paying upfront tuition, fees, or room and board, a student may sign a binding contract to, upon graduation, pay 2 to 4 percent, inclusive, of his or her annual adjusted gross income to the state or the institution for a specified number of years; and be it further

*Resolved*, That the pilot program could vary by institution, in regard to the total cost of attendance at the institution required to be reimbursed, the portion of the total cost of attendance to be paid by the state, the number of years that a student would be required to make payments, as specified in the contract, and the percentage of annual adjusted gross income to be paid by a student, as specified in the contract; and be it further

*Resolved*, That the study of the pilot program should identify at least one campus of the University of California, one campus of the California State University, one campus of the California Community Colleges, and one campus of a nonprofit private postsecondary educational institution that would participate in the pilot program. The campuses identified pursuant to this paragraph should be regionally diverse. The study of the pilot program should also, based on current research and projections of state subsidies, specify the number of years and percentage of annual adjusted gross income for a contract at each participating institution that would reimburse the cost of a student's attendance, suggest an immediate source of funding for the first 15 to 20 years, inclusive, of the pilot program, which would include the establishment of a revolving fund for the deposit of payments made under the pilot program, and consider the possibility of using social impact bonds, meaning an agreement between a nongovernmental entity and an institution of higher education under which a student's cost of attendance is paid for by the nongovernmental entity in exchange

1 for a security interest in the payments made by the student, as an  
2 immediate funding source; and be it further

3 *Resolved*, That the study of the pilot program should be  
4 presented for consideration by the Legislature. The Legislative  
5 Analyst is encouraged to submit a report on the study of the pilot  
6 program to the Assembly Committee on Higher Education and the  
7 Senate Committee on Education on or before September 30, 2015;  
8 and be it further

9 *Resolved*, That the Chief Clerk of the Assembly transmit copies  
10 of this resolution to the author for appropriate distribution.